

LARNED RECREATION COMMISSION
Larned, Kansas 67550

FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2014

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550

LARNED RECREATION COMMISSION, LARNED, KANSAS

Financial Statement
Regulatory Basis
For the Year Ended June 30, 2014

TABLE OF CONTENTS

| <u>Item</u> | <u>Page Number</u> |
|---|------------------------|
| FINANCIAL SECTION | |
| Auditors' Report on Financial Statement | 1-2 |
| Summary Statement of Receipts, Expenditures and Unencumbered Cash | 3-4 |
| Notes to the Financial Statement | 5-8 |
| REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule 1 | |
| Summary of Expenditures - Actual and Budget | 9-10 |
| Schedule 2 | |
| Schedule of Receipts and Expenditures - Actual and Budget | |
| General Fund | 11 |
| Special Purpose Fund | 12 |

This page intentionally left blank.

VONFELDT, BAUER & VONFELDT, CHTD.

CERTIFIED PUBLIC ACCOUNTANTS

Telephone: (620) 285-2107

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND

818 Broadway

Fax (620) 285-2110

KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 127

Larned, KS 67550

INDEPENDENT AUDITORS' REPORT

Board of Directors
Larned Recreation Commission
Larned, Kansas 67550

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Larned Recreation Commission, Larned, Kansas, a municipality, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Larned Recreation Commission, Larned, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Larned Recreation Commission, Larned, Kansas as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Larned Recreation Commission, Larned, Kansas as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated December 16, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

VONFELDT, BAUER & VONFELDT, CHTD.

Certified Public Accountants

Larned, Kansas

December 16, 2014

LARNED RECREATION COMMISSION, LARNED, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2014

| <u>Funds</u> | <u>Beginning Unencumbered Cash Balance</u> | <u>Prior Year Cancelled Encumbrances</u> |
|---|--|--|
| General Funds: | | |
| General Fund | \$ 145,524.42 | \$ 0.00 |
| Special Purpose Funds: | | |
| Employee Benefit & Special Liability Fund | <u>1,578.07</u> | <u>0.00</u> |
| Total Reporting Entity | <u>\$ 147,102.49</u> | <u>\$ 0.00</u> |
| Composition of Cash: | | |

The notes to the financial statement are an integral part of this statement.

| <u>Receipts</u> | <u>Expenditures</u> | <u>Ending Unencumbered Cash Balance</u> | <u>Add Encumbrances and Accounts Payable</u> | <u>Ending Cash Balance</u> |
|----------------------|----------------------|---|--|--------------------------------|
| \$ 126,556.18 | \$ 143,007.36 | \$ 129,073.24 | \$ 0.00 | \$ 129,073.24 |
| <u>25,826.00</u> | <u>26,940.75</u> | <u>463.32</u> | <u>0.00</u> | <u>463.32</u> |
| <u>\$ 152,382.18</u> | <u>\$ 169,948.11</u> | <u>\$ 129,536.56</u> | <u>\$ 0.00</u> | <u>\$ 129,536.56</u> |
| | | Checking Account | | \$ (16,545.73) |
| | | Savings Accounts | | <u>146,082.29</u> |
| | | Total Reporting Entity | | <u>\$ 129,536.56</u> |

LARNED RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Larned Recreation Commission, Larned, Kansas (Recreation Commission), a related municipal entity of Unified School District No. 495, Larned, Kansas (District), is governed by an appointed five-member board. The Recreation Commission was established under K.S.A. 12-1925 to provide a system of public recreation, and receives its funding by a tax levy from Unified School District No. 495.

B. REGULATORY BASIS FUND TYPES

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Recreation Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of a checking account and savings accounts. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. REIMBURSED EXPENSES

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

F. USE OF ESTIMATES

The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. The budget must be prepared so that it can be filed with U.S.D. Clerk by August 1st. The following calendar shows the last date the various steps must be completed to meet this deadline.

| | |
|----------|--------------------------------|
| July 10 | Publish Notice of Hearing |
| July 20 | Hold Budget Hearing |
| August 1 | Certify Budget to U.S.D. Clerk |

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits: Recreation Commission may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and trust funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 established the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC Coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation Commission's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at June 30, 2014.

At June 30, 2014 the Recreation Commission's carrying amount of deposits was \$129,536.56 and the bank balance was \$150,813.54. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$150,813.54 was covered by federal depository insurance.

Note 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits. As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences. The Recreation Commission grants regular employees sick leave after he/she has completed six months of continuous employment. Sick leave will be earned at the rate of 1 day per pay period and may be accumulated up to a maximum of 125 days. Accumulated sick leave is not paid upon separation from employment, therefore, there is no potential liability for sick leave as of June 30, 2014.

The Recreation Commission grants regular employees vacation leave after he/she has completed six months of continuous employment. Vacation leave will be earned at the rate of 1 day per month for each of the first nine years of employment. After nine years of continuous employment, vacation leave will be earned at the rate of 1 1/4 days per month and after fourteen years of continuous employment at the rate of 1 1/2 days per month. No more than eighteen days of annual leave may be accumulated and carried over from year to year. Accumulated vacation will be paid when a two week notice is given in the event of separation for military service, voluntary resignation, or in the event of a lay-off because of a reduction in force. No vacation will be paid in cases where employees are discharged. The potential liability for vacation leave as of June 30, 2014 and 2013 is \$3,759.84 and \$3,836.80, respectively, which is a net change of (\$76.96).

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan description. The Recreation Commission participates in the Kansas Public Employees Retirement System (KPERS). KPERS is a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% from July 1 through December 31, 2013 and 5% from January 1 through June 30, 2014 of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Note 7 - RISK MANAGEMENT

The Recreation Commission is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Recreation Commission obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Recreation Commission does not participate in a public entity risk pool.

Note 8 - SUBSEQUENT EVENTS

The Recreation Commission has evaluated events subsequent to year end through December 16, 2014, and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

LARNED RECREATION COMMISSION, LARNED, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

| <u>Funds</u> | <u>Certified Budget</u> | <u>Adjustment for Qualifying Budget Credits</u> |
|---|-----------------------------|---|
| General Funds: | | |
| General Fund | \$ 213,586.00 | \$ 0.00 |
| Special Purpose Funds: | | |
| Employee Benefit & Special Liability Fund | 27,470.00 | 0.00 |

| <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance - Over (Under)</u> |
|--|--|--|
| \$ 213,586.00 | \$ 143,007.36 | \$ (70,578.64) |
| 27,470.00 | 26,940.75 | (529.25) |

LARNED RECREATION COMMISSION, LARNED, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|---|----------------------|----------------------|----------------------|--------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| USD 495 Appropriation | \$ 100,000.00 | \$ 100,000.00 | \$ 100,000.00 | \$ 0.00 |
| User Fees | 22,285.75 | 20,714.25 | 26,808.00 | (6,093.75) |
| Reimbursements | 10,007.00 | 5,646.85 | 0.00 | 5,646.85 |
| Interest on Idle Funds | 220.70 | 195.08 | 221.00 | (25.92) |
| Total Cash Receipts | <u>132,513.45</u> | <u>126,556.18</u> | <u>\$ 127,029.00</u> | <u>\$ (472.82)</u> |
| Expenditures | | | | |
| Salaries | 85,397.20 | 86,499.54 | 90,703.00 | (4,203.46) |
| Equipment Purchases | 28,872.98 | 25,049.83 | 88,832.00 | (63,782.17) |
| Supplies | 3,784.46 | 9,627.59 | 2,243.00 | 7,384.59 |
| Repairs | 2,596.93 | 3,205.46 | 11,600.00 | (8,394.54) |
| Rentals | 710.00 | 330.00 | 1,350.00 | (1,020.00) |
| Transportation | 2,027.37 | 3,858.45 | 3,090.00 | 768.45 |
| Miscellaneous | 77.33 | 501.36 | 125.00 | 376.36 |
| Utilities | 2,787.37 | 3,097.03 | 3,400.00 | (302.97) |
| Insurance | 2,625.00 | 2,005.00 | 2,000.00 | 5.00 |
| Advertising | 1,037.60 | 979.50 | 1,088.00 | (108.50) |
| Annual Audit | 1,785.00 | 1,875.00 | 1,900.00 | (25.00) |
| Office Expense | 1,448.49 | 1,289.09 | 2,050.00 | (760.91) |
| Seminar Expense | 0.00 | 0.00 | 600.00 | (600.00) |
| Scholarships | 0.00 | 52.50 | 350.00 | (297.50) |
| Licenses & Fees | 98.32 | 99.27 | 130.00 | (30.73) |
| Budget Publication Fee | 50.64 | 59.98 | 75.00 | (15.02) |
| T-Shirts | 3,628.78 | 4,195.76 | 3,900.00 | 295.76 |
| Postage | 90.00 | 282.00 | 150.00 | 132.00 |
| Total Expenditures | <u>137,017.47</u> | <u>143,007.36</u> | <u>\$ 213,586.00</u> | <u>\$ (70,578.64)</u> |
| Cash Receipts Over (Under) Expenditures | (4,504.02) | (16,451.18) | | |
| Unencumbered Cash, Beginning | <u>150,028.44</u> | <u>145,524.42</u> | | |
| Unencumbered Cash, Ending | <u>\$ 145,524.42</u> | <u>\$ 129,073.24</u> | | |

LARNED RECREATION COMMISSION, LARNED, KANSAS
EMPLOYEE BENEFIT & SPECIAL LIABILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

| | Prior Year Actual | Current Year | | |
|---|----------------------|------------------|---------------------|--------------------------|
| | | Actual | Budget | Variance Over (Under) |
| Cash Receipts | | | | |
| USD 495 Appropriation | \$ 22,052.00 | \$ 25,826.00 | \$ 25,826.00 | \$ 0.00 |
| Reimbursements | 97.00 | 0.00 | 0.00 | 0.00 |
| Total Cash Receipts | <u>22,149.00</u> | <u>25,826.00</u> | <u>\$ 25,826.00</u> | <u>\$ 0.00</u> |
| Expenditures | | | | |
| FICA Expense | 6,533.13 | 6,617.49 | 6,939.00 | (321.51) |
| Workers Compensation | 1,046.05 | 1,544.28 | 1,245.00 | 299.28 |
| Unemployment Taxes | 85.39 | 86.51 | 91.00 | (4.49) |
| Health Insurance | 11,661.92 | 11,243.36 | 12,245.00 | (1,001.64) |
| KPERS | 3,843.83 | 4,366.11 | 4,200.00 | 166.11 |
| Liability Insurance | <u>2,799.00</u> | <u>3,083.00</u> | <u>2,750.00</u> | <u>333.00</u> |
| Total Expenditures | <u>25,969.32</u> | <u>26,940.75</u> | <u>\$ 27,470.00</u> | <u>\$ (529.25)</u> |
| Cash Receipts Over (Under) Expenditures | (3,820.32) | (1,114.75) | | |
| Unencumbered Cash, Beginning | <u>5,398.39</u> | <u>1,578.07</u> | | |
| Unencumbered Cash, Ending | <u>\$ 1,578.07</u> | <u>\$ 463.32</u> | | |